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BRUGNARA PROPERTIES VI

In re Chapter 11 No. 10-33637

14 BRUGNARA PROPERTIES VI,
15 Debtor.
16 Federal ID No. 91-2003281

SECOND AMENDED CHAPTER 11 PLAN
OF REORGANIZATION, AS MODIFIED

I. DEFINITIONS

1 **A. Defined Terms**

2 Parties are directed to the Debtor's Disclosure Statement
3 filed and served concurrently with this Plan of Reorganization
4 (the "Plan") for definitions that apply throughout this Plan and
5 the Disclosure Statement.

6 **B. Undefined Terms**

7 Terms used herein but not defined by the Plan or Disclosure
8 Statement, but which are defined by the Code, have the meanings
9 given to that term in the Code unless the context of the Plan
10 clearly indicates or requires otherwise.

11 **C. Rules of Construction, Interpretation and Time**

12 In the event of any inconsistency between the Plan and the
13 Disclosure Statement, the provisions of the Plan are controlling.
14 The rules of construction set forth in Code section 102 shall
15 apply to the Plan and the Disclosure Statement. In computing any
16 period of time prescribed or allowed by the Plan, the provisions
17 of Rule 9006(a) shall apply.

18 **D. Applicable Law**

19 Except insofar as federal law applies or the Plan
20 specifically provides otherwise, the interpretation,
21 implementation and enforcement of the Plan are governed by
22 California law.

23 **E. Integration and Modification**

24 Except as expressly provided otherwise in the Plan, (a) the
25 Plan and any exhibits to it constitute the entire and complete
26 agreement among the parties with claims or interests in Debtor's
27 estate with respect to the matters addressed and transactions
28 contemplated in the Plan, superseding any prior or

1 contemporaneous oral or written agreements or representations
2 concerning such matters or transactions, and (b) the rights or
3 obligations contained in the Plan can be modified only (i) by a
4 writing signed by the party to be held to the altered term or
5 (ii) under Code Section 1127, if the modification has a material
6 and adverse effect on the rights or remedies of nonsignatories.

7 **II. CLASSIFICATION OF CLAIMS AND INTERESTS**

8 All claims and interests except non-classified Claims are
9 placed in the classes described below.

10 **Classified Claims:**

11 **Class 1 - Secured Claim of Wachovia:** Class 1 consists of the
12 allowed secured claim of Wachovia/Wells Fargo ("Wachovia") which
13 is secured in first position (after taxes) against Debtor's real
14 property located at 224 Sea Cliff Avenue, San Francisco,
15 California. The Class 1 claim is impaired.

16 **Class 2 - Secured Claim of the Jorei Enterprises, LLC:** Class
17 2 consists of the allowed secured claim of Jorei, which claim is
18 secured in second position (after taxes) against Debtor real
19 property located at 224 Sea Cliff Avenue, San Francisco,
20 California. The Class 2 claim is unimpaired.

21 **Class 3 - Secured Claim of the City and County of San
22 Francisco:** Class 3 consists of the allowed secured claim of the
23 City and County of San Francisco, secured by the real Property.
24 The Class 3 claim is unimpaired.

25 **Class 4 - Claims of all General Unsecured Claims:** Class 4
26 consists of the allowed general unsecured claims. The Class 4
27 claims are impaired.

28

1 **Class 5 - Interests of Debtor's Interest Holder:** Class 5
2 consists of all holders of interests in the Debtor.

3 **III. TREATMENT OF NON-CLASSIFIED CLAIMS**

4 **A. Administrative Claims:** Holders of Allowed Claims
5 entitled to priority under Code Section 507(a) shall receive
6 payment of their claims in full on the Effective Date or within
7 ten days from the date the claim becomes an Allowed
8 Administrative Claim, whichever occurs later unless the Debtor
9 and administrative creditor agree to other less favorable
10 treatment.

11 **IV. TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS**

12 Holders of the Classified Claims and interests described in
13 Article II above shall receive distributions as set forth below
14 in full satisfaction of such Allowed Claims or interests. In no
15 event shall the holder of an Allowed Claim receive a distribution
16 of a value greater than 100% of the amount of such allowed claim.

17 **Class 1 - Secured Claim of Wachovia:** The allowed Class 1
18 claim shall have two treatment options from which to select.
19 Under Option A the Claim will be deemed a \$5 million dollar claim
20 as of the Confirmation. The Claim shall accrue interest at 4%
21 per annum. Payments shall be interest only and the debt shall be
22 due in full 10 years from the Confirmation. Under Option B, the
23 claim will be allowed in the amount of \$6,140,000, and shall
24 accrue interest at 3% interest only, due in 10 years. Under
25 Option B the loan shall be deemed reinstated upon Confirmation.
26 If the Class 1 claim does not select an option (selection must be
27 made on or before the voting deadline on the Plan) it will be
28 deemed to have selected Option A.

1 The right to payments under either option shall begin
2 accruing on the Effective Date. Payments shall commence in the
3 month of March 2012; on March 15, 2012 all monthly payments that
4 come due on or after the Effective Date shall be made on the
5 allowed claim. Payments shall be due by the 15th of each month
6 and shall be deemed late if not paid by the 25th of each month.
7 The Class 1 creditor is impaired.

8 **Class 2 - Secured Claim of Jorei Enterprises, LLC:** The
9 allowed Class 2 claim shall be treated pursuant to the terms of
10 the settlement agreement between Debtor and Jorei, the terms of
11 which are incorporated herein as though set forth at length.
12 Pursuant to that agreement the claim shall be due in four years
13 and shall not accrue interest except as provided in the
14 settlement agreement. The Class 2 claim is unimpaired.

15 **Class 3 - Secured Claim of the City and County of San
16 Francisco:** The allowed Class 3 claim shall be paid in full in
17 three equal installments, due on March 15, 2012, May 15, 2012 and
18 July 15, 2012. The allowed Class 3 claim shall retain all rights
19 and remedies regarding any delinquent property taxes owed by the
20 Debtor. The Class 3 claim is unimpaired.

21 **Class 4 - Claims of all General Unsecured Claims:** Class 4
22 consists of the allowed general unsecured claims of all creditors
23 other than priority tax creditors. Class 4 claimants will
24 receive a pro rata share of \$1,000 to be distributed three months
25 from the Effective Date. The Class 4 claims are impaired.

26 **Class 5 - Interests of Debtor's Interest Holder:** Class 5
27 consists of all holders of interests in the Debtor. Class 5
28 interest holders will not receive any distributions under the

1 Plan. Their interests, however, will not be canceled and holders
2 will retain their interests. Class 5 is not impaired under the
3 Plan.

4 **Sale of 224 Sea Cliff Avenue, San Francisco, CA:** If Debtor
5 has not commenced payments to Creditors as set forth above by
6 March 15, 2012, Debtor will immediately list and sell its real
7 property at 224 Sea Cliff Avenue, San Francisco, California; if
8 Debtor has not entered into a contract and opened a bona fide
9 escrow for the sale of the property by May 15, 2012, the Secured
10 Creditors shall thereupon, without necessity of further order of
11 Court, have the right to exercise any foreclosure rights with
12 respect to their Claims.

13 **V. MEANS FOR IMPLEMENTATION OF THE PLAN**

14 **A. Funding of the Plan:** Funding of the payments to Class 1
15 will come from funds Debtor will receive from its principal.
16 Debtor anticipates that the payment to Class 2 will come via a
17 refinance or sale of the Real Property or from capital
18 contributed by Debtor's principal. Payment of the Class 3 claim
19 will come from funds Debtor will receive from its principal.
20 Payments to the Class 4 unsecured creditors will come from an
21 infusion of capital from Debtor's principal.

22 **B. Sale of 224 Sea Cliff Avenue, San Francisco, CA:** If
23 Debtor has not commenced payments to Creditors as set forth above
24 by March 15, 2012, Debtor will immediately list and sell its real
25 property at 224 Sea Cliff Avenue, San Francisco, California; if
26 Debtor has not entered into a contract and opened a bona fide
27 escrow for the sale of the property by May 15, 2012, the Secured
28 Creditors shall thereupon, without necessity of further order of

1 Court, have the right to exercise any foreclosure rights with
2 respect to their Claims.

3 **C. Distribution of Funds:** The Disbursing Agent will
4 distribute funds on account of the allowed claims pursuant to the
5 terms of the Plan. The Disbursing Agent shall also be
6 responsible for reserving amounts for payment of any disputed
7 claims until such time that the disputed claims are either
8 disallowed or become allowed claims.

9 **D. Post-Confirmation Operations and Administration:** Until
10 such time as a Final Decree is entered the Reorganized Debtor
11 will file the necessary post-confirmation operating reports and
12 pay any required fees to the U.S. Trustee. The post-confirmation
13 members/officers of the Reorganized Debtor shall be Kay Brugnara.
14 Professional Fees and costs incurred post-confirmation in
15 connection with implementation of the Plan shall be paid in the
16 ordinary course of business and without the need of review or
17 approval by the Court.

18 **E. Objections to Claims:** The Reorganized Debtor will have
19 the right and standing, but not the obligation to:

20 1. Object to, contest and litigate to Final Order
21 (including the exhaustion of any appeals) the allowance of any
22 claim, whether or not such claim is listed in the Debtor's
23 Schedules as disputed, contingent or unliquidated; or

24 2. As provided by Code Section 502(c), ask the Court to
25 estimate any claim for the purpose of voting on confirmation of
26 the plan by means of filing an objection to such claim. The
27 Disbursing Agent shall also have the authority to settle,
28

1 compromise, or negotiate the withdrawal of objections to Disputed
2 Claims or the withdrawal of claims themselves.

F. Payment Upon Resolution of Disputed Claims: While the Reorganized Debtor will reserve amounts for any disputed claims, the Reorganized Debtor will not make any payments to holders of a disputed claim until such disputed claim becomes an allowed claim and all counter-claims of the Debtor against the holder of such Claim have been fully resolved, either by means of a settlement or a Final Order.

10 **G. Treatment of Executory Contracts and Unexpired Leases:**
11 All leases or executory contracts will be assumed upon
12 confirmation of the Plan. Any lessee asserting a claim or a
13 “cure” under any lease must file a claim within 30 days of the
14 Effective Date.

15 **H. Income Tax Consequences of the Plan:** The Plan may give
16 rise to tax consequences to creditors and interest holders. Each
17 creditor and interest holder is urged to consult with his, her or
18 its own tax advisor regarding the federal, state and local tax
19 consequences of the Plan. Holders of allowed claims will
20 cooperate with the Reorganized Debtor to the extent the
21 Reorganized Debtor requires said holders to provide tax
22 information in connection with their receipt of Disbursements
23 under the Plan.

VI. EFFECT OF CONFIRMATION

25 **A. Revesting:** Except as otherwise provided by the Plan,
26 Confirmation vests all property of the estate in the
27 Reorganized Debtor, including the Retained Claims.

1 **B. Discharge:** Confirmation of the Plan shall bind all
2 holders of claims and interests, whether or not they accept the
3 Plan. Confirmation of the Plan will discharge Debtor from all
4 debts pursuant to Code Section 1141(d)(1). Upon Confirmation,
5 all holders of claims and interests shall be precluded from
6 asserting any further claim against the Debtor's assets or
7 against the Reorganized Debtor to the extent any such claim is
8 based upon any occurrence or transaction or other activity
9 occurring prior to the Confirmation date.

10 **VII. MODIFICATION OF THE PLAN**

11 Debtor may modify the Plan at any time before Confirmation.
12 In the event of a modification to the Plan, the Court may require
13 Debtor to provide notice of the modification by way of additional
14 disclosures to the creditors and interest holders. Any holder of
15 a claim that has accepted or rejected the Plan prior to
16 modification, will be held to have accepted or rejected the
17 modified Plan unless the Court determines that the holders of
18 claims should be granted additional time to change the previous
19 vote, and the holder does in fact change his, her or its vote.

20 **VIII. JURISDICTION RETAINED BY THE COURT**

21 Until the Case is closed, the Court shall retain
22 jurisdiction under 28 U.S.C. Sections 1334 and 157 over the
23 estate in any proceedings arising in the Case, arising under the
24 Code, or related to the Case in order to carry out the
25 provisions, purposes and intent of the Plan or any modification
26 thereto, including:

27 A. Modification of the Plan under Code Section 1127(b);
28 B. Interpretation of the Plan;

- C. Entry of orders to implement or enforce the Plan;
- D. Determination of the allowability and amount of claims;
- E. Determination of the Debtor's or the estate's tax liability as necessary;
- F. Approval of the assumption, assignment or rejection of any executory contract or unexpired lease of the Debtor to the extent such assumption, assignment or rejection has not occurred prior to Confirmation.
- G. Awarding compensation or reimbursement of professionals;
- H. Adjudicating controversies, including those involving Retained Claims; and
- I. Entry of a decree and order closing the Case.

15 || Dated: June 2, 2011 BRUGNARA PROPERTIES VI

By: /s/ Katherine L. Brugnara
KATHERINE L. BRUGNARA
Its: President

By: /s/ Joel K. Belway
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